16-1080

# HEBRON TOWNSHIP CHEBOYGAN COUNTY, MICHIGAN

Financial Statements For the Year Ended March 31, 2004

Prepared By:

Richard E. Mahlmeister, C.P.A., P.C. 580 S. Nicolet, P.O.Box 996
Mackinaw City, MI 49701

# Michigan Deptartment of Treasury 496 (2-04) Auditing Procedures Report

Issued unde	r P.A. 2 of 1	968, as ame	nded.	· · · · · · · · · · · · · · · · · · ·					
Local Gove	rnment Type		Village Other	Local Governme Hebron To	The state of the s			ounty heboy	gan
Audit Date 3/31/04			Opinion Date 7/19/04		Date Accountant Report Subn 8/1/04	nitted to State:	•		
Financial We affirm	ce with the statement of that:	ne Staten ets for Cou	nents of the Govern Inties and Local Units	mental Accou of Governme	government and rendere unting Standards Board and in Michigan by the Michigan	(GASB) (APP) Chigan Departm	toe Uniferrent of Tre	<del>Mā</del> Ч₹⊌po easury.	ents prepared orting Format
			ccountants registered			LOCAL A	UDIT & FI	NANCE D	17.
We furthe	r affirm th s and reco	e followin	g. "Yes" responses ha tions	ave been disc	losed in the financial stat	tements, includ	ling the no	otes, or in	n the report of
You must	check the	applicabl	e box for each item b	elow.					
Yes	<b>✓</b> No	1. Cert	ain component units/t	funds/agencie	s of the local unit are exc	cluded from the	financial	stateme	ents.
Yes	<b>✓</b> No	2. Ther 275	re are accumulated do of 1980).	leficits in one	or more of this unit's ur	nreserved fund	l balances	;/retained	d earnings (P./
<b>✓</b> Yes	☐ No		re are instances of r nded).	on-complianc	e with the Uniform Acc	ounting and B	udgeting	Act (P.A	v. 2 of 1968, a
Yes	<b>✓</b> No	4. The requ	local unit has violati irements, or an order	ed the condit issued under	tions of either an order the Emergency Municipa	issued under al Loan Act.	the Muni	cipal Fir	nance Act or i
Yes	<b>✓</b> No	5. The as a	local unit holds depo mended [MCL 129.91	osits/investme ], or P.A. 55 o	nts which do not comply of 1982, as amended [MC	y with statutory CL 38.1132]).	y requiren	nents. (F	<sup>2</sup> .A. 20 of 194
Yes	<b>✓</b> No	6. The	local unit has been de	elinquent in dis	stributing tax revenues th	at were collect	ed for and	other tax	king unit.
Yes	<b>✓</b> No	<ol><li>pens</li></ol>	ion benefits (normal	costs) in the	tutional requirement (Art current year. If the plan equirement, no contribution	is more than 1	100% fund	ded and	the overfunding
Yes	<b>∠</b> No	8. The (MCL	local unit uses credi _ 129.241).	t cards and h	nas not adopted an app	licable policy	as require	ed by P.	A. 266 of 199
Yes	<b>✓</b> No	9. The l	ocal unit has not ado	pted an invest	ment policy as required t	oy P.A. 196 of	1997 (MC	L 129.95	5).
We have o	enclosed	the follow	wing:			Enclosed	To Forwa		Not Required
The letter	of comme	ents and r	ecommendations.			~			
Reports or	n individu	al federal	financial assistance p	rograms (prog	gram audits).				·
Single Aud	dit Report	s (ASLGU	).						<b>~</b>
Certified Pub		•	ne) CPA, PC						
Street Addres	S\$\)		Box 996	1	City Mackinaw C	ity	State MI	ZIP 497	01
Accountant	Signature	1	Mil		NI		Date 7/26/04		

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Member:

American Institute of Certified Public Accountants Michigan Association of Certified Public Accountants

#### **INDEPENDENT AUDITORS' REPORT**

July 19, 2004

Township Board Hebron Township Cheboygan County, Michigan

I have audited the accompanying general purpose financial statements of *Hebron Township*, *Cheboygan County*, as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of *Hebron Township*, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of *Hebron Township*. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Richard E. Mahlmeister, C.P.A.

# GENERAL PURPOSE FINANCIAL STATEMENTS

#### HEBRON TOWNSHIP COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP MARCH 31, 2004

	GOVERNMENTAL FUN	ND TYPES	FIDUCIARY FUND TYPE
ASSETS	GENERAL	SPECIAL REVENUE	TRUST AND AGENCY
Cash and cash equivalents Investments	\$22,532	\$13,192 2,747	\$463
Taxes receivable Due from other funds Fixed assets	2,044 463 -	1,595 112	-
TOTAL ASSETS	\$25,039	\$17,646	\$463
LIABILITIES AND FUND EQUITY			
LIABILITIES  Due to other funds	\$112	<b>\$</b> -	463
FUND EQUITY Investment in general fixed assets Fund balances: Unreserved:	-	-	-
Undesignated	24,927	17,646	<u>-</u>
TOTAL FUND EQUITY	24,927	17,646	-
TOTAL LIABILITIES AND FUND EQUITY	\$25,039	\$17,646	\$463

See Accompanying Notes.

# ACCOUNT

GROUP	
	TOTAL
GENERAL FIXED	(MEMORANDUM
ASSETS	ONLY)
\$ -	\$36,187
-	2,747
-	3,639
-	575
152,896	152,896
\$152,896	\$196,044
<b>\$</b> -	\$575
152,896	152,896
-	42,573
152,896	195,469
\$152,896	\$196,044

# HEBRON TOWNSHIP COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES ALL GOVERNMENTAL FUND TYPES FOR THE YEAR ENDED MARCH 31, 2004

	GENERAL	SPECIAL	TOTAL (MEMORANDUM
REVENUES	GENERAL	REVENUE	ONLY)
Taxes	\$12,677	\$8,744	<b>004</b> 404
Payment in lieu of taxes	8,302	JO, /44	\$21,421
State shared revenues	20,778	963	8,302
Federal revenues	29,050	903	21,741
Interest	127	251	29,050
Other	493		378 493
TOTAL REVENUES	71,427	9,958	81,385
EXPENDITURES			
Current:			
Legislative	4,248	_	4,248
General government	23,799	_	23,799
Public safety	,	8,077	8,077
Public works	4,134	-	4,134
Other functions	3,800	_	3,800
Capital outlay	61,168		61,168
TOTAL EXPENDITURES	97,149	8,077	105,226
REVENUES OVER (UNDER) EXPENDITURES	(25,722)	1,881	(23,841)
OTHER FINANCING SOURCES (USES)			
Operating transfers in (out)	(329)	329	
TOTAL OTHER FINANCING			
SOURCES (USES)	(200)		
-	(329)	329	-
REVENUE AND OTHER SOURCES OVER			
(UNDER) EXPENDITURES AND OTHER USES	(26,051)	2,210	(23,841)
FUND BALANCES, BEGINNING OF YEAR	50,978	15,436	66,414
FUND BALANCES, END OF YEAR	\$24,927	\$17,646	\$42,573

See Accompanying Notes.

# COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS FOR THE YEAR ENDED MARCH 31, 2004

	GENERAL FUND			
	NVD CTT		VARIANCE FAVORABLE	
REVENUES	BUDGET	ACTUAL	(UNFAVORABLE)	
Taxes	<b>60.730</b>			
Payment in lieu of taxes	\$8,620	\$12,677	\$4,057	
State shared revenues	8,300	8,302	2	
Federal revenues	22,800	20,778	(2,022)	
Interest	-	29,050	29,050	
Other	400	127	(273)	
	-	493	493	
TOTAL REVENUES	40,120	71,427	31,307	
EXPENDITURES				
Current:				
Legislative	5,805	4.0.40		
General government	21,720	4,248	1,557	
Public safety	21,720	23,799	(2,079)	
Public works	4,000	-	-	
Other functions		4,134	(134)	
Capital outlay	5,000	3,800	1,200	
-		61,168	(61,168)	
TOTAL EXPENDITURES	36,525	97,149	(60,624)	
REVENUES OVER (UNDER) EXPENDITURES	3,595	(25,722)	(29,317)	
OTHER FINANCING SOURCES (USES)				
Operating transfers in	_			
Operating transfers (out)		(329)	(329)	
TOTAL OTHER FINANCING				
SOURCES (USES)	•	(329)	(329)	
REVENUE AND OTHER SOURCES OVER				
(UNDER) EXPENDITURES AND OTHER USES	3,595	(26,051)	(29,646)	
FUND BALANCES, BEGINNING OF YEAR	50,978	50,978	(== ,= ,= ,= ,	
FUND BALANCES, END OF YEAR		20,270	-	
= TEAR	\$54,573	\$24,927	(\$29,646)	

See Accompanying Notes.

SPECIAL REVENUE FUND	TIND	JE FI	ENUE	REV	L	IA	PECI	SI
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BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$7,300	\$8,744	\$1,444
960	963	3
- -	251	251
8,260	9,958	1,698
-	-	
- 7,200	- 8,077	- (877)
-	-	-
-	-	-
7,200	8,077	(877)
1,060	1,881	821
<u>-</u>	329	329
	329	329
1,060	2,210	1,150
15,436	15,436	-
\$16,496	\$17,646	\$1,150

#### NOTES TO FINANCIAL STATEMENTS

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Hebron Township, Michigan conform to generally accepted accounting principles as applicable to governments. The following is a summary of the most significant policies.

#### THE REPORTING ENTITY

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14, "The Financial Reporting Entity", the financial statements of the reporting entity include those of the Township and any component units. The basic criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's general purpose financial report is the exercise of oversight responsibility over such agencies by the governmental unit's elected officials. The manifestations of such oversight responsibility are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The Township has determined that no entities should be consolidated into its general purpose financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only.

See Note 8 for information describing related organizations not included in the Township's reporting entity.

#### **FUND ACCOUNTING**

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped by type in the financial statements. The following fund types and account group are utilized by the Township:

#### **GOVERNMENTAL FUNDS**

#### **General Fund**

The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

# NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## FUND ACCOUNTING (CONTINUED)

#### **Special Revenue Funds**

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes as dictated by legal, regulatory or administrative requirements.

#### FIDUCIARY FUND

#### **Trust and Agency Fund**

The Trust and Agency Fund is used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

#### **ACCOUNT GROUP**

#### **General Fixed Assets**

This account group presents the fixed assets of the Township utilized in its general operations.

## TOTAL COLUMNS ON COMBINED STATEMENTS

Total columns on the general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

#### **BASIS OF ACCOUNTING**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

# NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## **BASIS OF ACCOUNTING (CONTINUED)**

All Governmental and Agency Funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) as net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

### **BUDGETS AND BUDGETARY ACCOUNTING**

Comparisons to budget are presented for General and Special Revenue Funds as required by generally accepted accounting principles. The Township follows the following procedures in establishing the budgetary data reflected in the financial statements:

- 1. Prior to the beginning of the fiscal year, the Township Clerk submits to the Township Board a proposed operating budget for the fiscal year commencing on April 1.
- 2. Public hearings are conducted to obtain taxpayer comments.
- 3. Prior to March 31, the budget is legally enacted through passage of a resolution.
- 4. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the Township Board.

The Township Board's budgetary procedures are in compliance with P.A. 621 of 1978 (The Uniform Budgeting Act).

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

# NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **ENCUMBRANCES**

The Township does not formally record encumbrances in the accounting records during the year as a normal practice. Material amounts of known commitments are sometimes recognized at the end of an accounting period to properly match the commitments with the applicable appropriation. No such commitments existed at March 31, 2004. Appropriations lapse at year-end and amounts are reappropriated for expenditures to be incurred in the next fiscal year.

# CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of demand deposits, cash in savings and money market accounts.

#### **INVESTMENTS**

Investments are stated at cost and consist of certificates of deposit with maturity values greater than three months.

#### **RECEIVABLES**

Receivables are reported at gross value or net of a valuation allowance, if applicable.

# DUE TO AND DUE FROM OTHER FUNDS

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

#### **FIXED ASSETS**

Fixed assets used in the general operation of the township are recorded as expenditures when purchased and are accounted for in the General Fixed Assets Account Group. No depreciation is recorded for these general fixed assets. Infrastructure assets, including streets, roads and sidewalks are not capitalized.

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

# NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### RESERVES AND DESIGNATIONS

Reserved fund balances indicate that a portion of fund equity which has been legally segregated for specific purposes and/or does not constitute current available spendable resources. Designated fund balance indicates that a portion of fund equity for which the Township has made tentative plans. Undesignated fund balance indicates that portion of fund equity, which is available for budgeting in future periods.

#### VACATION AND SICK LEAVE

There is no accumulated vacation or sick leave to be recognized.

# NOTE 2: EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted to the activity level.

During the year ended March 31, 2004, the Township incurred expenditures which exceeded the amount appropriated as follows:

<b>Fund</b>	<b>Appropriations</b>	Expenditures	<u>Variance</u>
GENERAL  Board of Review Treasurer Township Hall Public Works Cemetery Capital Outlay Transfers	\$ -	\$ 735	\$ 735
	\$6,280	\$ 6,427	\$ 147
	\$ 900	\$ 1,886	\$ 1,886
	\$4,000	\$ 4,134	\$ 134
	\$ 600	\$ 1,235	\$ 635
	\$ -	\$61,168	\$61,168
	\$ -	\$ 329	\$ 329
SPECIAL REVENUE Liquor Enforcement: Public Safety Cemetery	\$ 960	\$1,292	\$ 332
	\$ -	85	85

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 3: CASH AND CASH EQUIVALENTS

The caption on the combined balance sheet relating to cash, cash equivalents and investments represent deposits in one financial institution located in Cheboygan County in varying amounts as follows:

Cash and cash equivalents	\$36,187
Investments	2,747
	\$38,934

The checking account of the Township is in a common bank account. The equity of each fund in the common account is as follows:

General Fund	\$12,612
Special Revenue – Liquor	_
Special Revenue – Fire	10,872
	\$23,484

The total deposits do not exceed \$100,000 and therefore, are covered by the Federal Deposit Insurance Corporation (F.D.I.C.).

All accounts are in the name of the Township and a specific fund. They are recorded in Township records at cost. Interest is recorded when deposits mature or is credited to the applicable account.

#### **Statutory Authority**

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

# NOTE 4: PROPERTY AND EQUIPMENT - GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance April 1, 2003	Additions Deletions)	Balance March 31, 2004
Land Buildings and Improvements Machinery and Equipment Office Furniture and	\$ 1,000 78,527 7,013	\$ 61,168	\$ 1,000 139,695 7,013
Equipment	5,188	-	5,188
=	\$91,728	\$ 61,168	\$152,896

#### NOTE 5: PROPERTY TAX

Property tax revenues for the year ended March 31, 2004, reflected in the accompanying financial statements include property taxes levied December 31, 2003. These taxes are due by February 15, 2004, and are added to the County tax rolls after February 28, 2004. The Township will receive 100% payment for the delinquent Township tax by June, 2004.

The taxable value of the Township totaled \$10,089,344, before Board of Review adjustments, on which ad valorem taxes consisted of .8798 mills for the Township's operating purposes and .8798 mills for fire protection, raising \$8,704 for operating and \$8,744 for fire protection.

#### NOTE 6: PENSION PLAN

The Township provides pension benefits to all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Township Board, the Township contributes 6.2% of employees' gross earnings and employees contribute 6.2% percent of earnings. In accordance with these requirements, the Township contributed \$1,072 during the current year, and the employees contributed \$1,072.

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 7: INTERFUND RECEIVABLE/PAYABLE

Interfund receivables and payables at March 31, 2004 are as follows:

Fund	Interfund Receivable	Interfund Payable	
General Special Revenue–Cemetery	\$463 112	\$112	
Tax Collection	-	463	
Total	\$575	\$575	

#### NOTE 8: JOINT VENTURE

The Township, in conjunction with Inverness, Beaugrand and Munro Townships, Cheboygan County, have created the Inverness Fire Department to provide fire service to local residents. In accordance with the agreement, the Inverness Fire Department is governed by a nine-member board composed of two appointees from each Township, with the largest Township (Inverness Township) appointing three members. Each Township contributes a percentage of the approved budget, based on each township's proportionate share of its taxable value. For the year ended March 31, 2004, Hebron Township's share of contributions were \$6,700, based on the formula described above. In accordance with the agreement, net assets and/or equipment will only be distributed upon withdrawal or termination of the agreement. Financial statements of the Inverness Fire Department, which is included in the audited financial statements of Inverness Township, Cheboygan County, can be obtained by writing the Inverness Fire Department at 1193 Woiderski Road, Cheboygan, MI 49721.

#### NOTE 9: RISK MANAGEMENT

The Township participates in the Michigan Municipal Liability and Property Pool for general liability, property loss, professional, public official errors and omissions liabilities. This plan is a self insurance risk association operating within the State of Michigan pursuant to Act 138, Michigan Public Acts of 1982. This plan, through its risk manager, secures insurance policies or reinsurance treaties to cover the risks undertaken on behalf of the Township. The Township pays an annual premium to the Michigan Municipal Liability and Property Pool for its general insurance coverage and has no additional liability beyond the premiums made to this plan.

(Continued)

# NOTES TO FINANCIAL STATEMENTS (CONCLUDED)

# NOTE 9: RISK MANAGEMENT (CONTINUED)

The plan has a maximum liability for commercial property of \$114,000, general liability of \$1,000,000 and bonding for public official's errors and omissions. Additionally, the Township has purchased commercial insurance for workman's compensation benefits.

Claims for commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

# COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

# **GENERAL FUND**

# HEBRON TOWNSHIP GENERAL FUND SCHEDULE OF DETAILED REVENUES FOR THE YEAR ENDED MARCH 31, 2004

_	TAXES Current property taxes	
	Property tax administration fee	\$8,704
		3,973
_	TOTAL TAXES	· · · · · · · · · · · · · · · · · · ·
		12,677
	Payment in lieu of taxes	
_		8,302
	STATE SHARED REVENUES	
	The state of the s	20,778
	FEDERAL REVENUES	3,10
	I DD LIGHT REVEROES	29,050
	INTEREST INCOME	
	MATEREST INCOME	127
	OTHER	127
	Refunds & other	402
_	TOTAL PROPERTY.	493
	TOTAL REVENUE	\$51.40E
		<u>\$71,427</u>

# HEBRON TOWNSHIP GENERAL FUND SCHEDULE OF DETAILED EXPENDITURES FOR THE YEAR ENDED MARCH 31, 2004

-		
	LEGISLATIVE	
	Township Board:	
-	Salaries	
	Contracted service	\$2,150
	Printing and publishing	1,135
	Memberships and dues	727
		236
	TOTAL LEGISLATIVE	
		4,248
	GENERAL GOVERNMENT	
_	Township Supervisor:	
	Salaries	
	Supplies	6,810
-	Contracted service	359
	Transportation	1,049
	Memberships and dues	200
		65
		8,483
	Elections:	
	Salaries	
1		
	Clerk:	
	Salaries	
	Supplies	4,920
	Transportation	63
		50
		£ 022
	Board of Review:	5,033
	Salaries	
-	Contracted service	675
	Court acteu 351 vice	60
_		
_		735

(Continued)

# HEBRON TOWNSHIP GENERAL FUND SCHEDULE OF DETAILED EXPENDITURES (CONCLUDED) FOR THE YEAR ENDED MARCH 31, 2004

_	GENERAL GOVERNMENT: (Cont'd)	
	Treasurer:	
	Salaries	
	Supplies	\$5,555
	Transportation	822
		50
_	•	6,427
	Township Hall :	
	Utilities	
_	Repairs	893
		993
_		1,886
	Cemetery:	
	Salaries	
_	Repairs	235
		1,000
		1,235
	TOTAL GENERAL GOVERNMENT	
		23,799
_		
ě	PUBLIC WORKS	
	Highways and streets:	
-	Contracted services	
1	Services	\$4,134
	OTHER	
	Insurance	
, marine	Pension	2,145
	Payroll taxes	1,190
	•	465
-		
	CAPITAL OUTLAY	3,800
_		61,168
	TOTAL EXPENDITURES	25
	OTHER FINANCING USES	97,149
	Transfers to other funds	
		329
_	TOTAL EXPENDITURES AND OTHER	<del></del> -
	FINANCING USES	007.450
		\$97,478

# SPECIAL REVENUE FUNDS

#### HEBRON TOWNSHIP ALL SPECIAL REVENUE FUNDS COMBINING BALANCE SHEET MARCH 31, 2004

	ASSETS	FIRE FUND	LIQUOR LAW ENFORCEMENT FUND	CEMETERY FUND	TOTAL
	ASSETS: Cash and cash equivalents Investments	\$10,872	\$ -	\$2,320	\$13,192
_	Taxes receivable Due from other funds	1,595	- - -	2,747 - 112	2,747 1,595 112
-	TOTAL ASSETS	\$12,467	\$ -	\$5,179	\$17,646
	FUND BALANCES	\$12,467	<u>s</u> -	\$5,179	\$17,646

# HEBRON TOWNSHIP ALL SPECIAL REVENUE FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED MARCH 31, 2004

	FIRE FUND	LIQUOR LAW ENFORCEMENT FUND	CEMETERY FUND	TOTAL
REVENUES:				
Taxes	60 744			
State shared revenues	\$8,744	\$ -	<b>\$</b> -	\$8,74
Interest	-	963	-	96:
			251	25
TOTAL REVENUES	8,744	963	251	9,958
EXPENDITURES:				
Public safety	6,700	1,292	85	0.0==
TOTAL EXPENDITURES	6,700			8,077
•	0,700	1,292	85	8,077
REVENUES OVER (UNDER) EXPENDITURES	2,044	(329)	166	1,881
OTHER FINANCING SOURCES (USES)				*,5001
Operating transfers in	-	329	<u>-</u>	329
REVENUES AND OTHER SOURCES OVER				329
(UNDER) EXPENDITURES AND OTHER USES	2,044	-	166	2,210
FUND BALANCES - BEGINNING OF YEAR	10,423	_	# 012	
FUND PALANCES END COLUMN			5,013	15,436
FUND BALANCES - END OF YEAR	\$12,467	<u> </u>	\$5,179	\$17,646

# TRUST AND AGENCY FUND

#### HEBRON TOWNSHIP STATEMENT OF CHANGES IN ASSETS AND LIABILITIES TRUST AND AGENCY FUND - TAX COLLECTION FUND FOR THE YEAR ENDED MARCH 31, 2004

		BALANCE APRIL 1, 2003	ADDITIONS	DELETIONS	BALANCE MARCH 31, 2004
	ASSETS:				
	Cash	\$478	\$211,685	\$211,700	\$463
					<b>\$703</b>
	LIABILITIES:				
	Due to other funds	\$478	\$15,826	<b>04 7</b> 0 44	
	Due to County	ψ·// σ		\$15,841	\$463
	Due to State	-	45,465	45,465	-
	Due to Schools	-	42,547	42,547	-
_	Due to Intermediate School	-	89,390	89,390	-
	District				
	Due to Library	-	16,027	16,027	-
_	2.2.2.y	-	2,430	2,430	-
		\$478	\$211,685	\$211,700	<b>\$463</b>



Member:

American Institute of Certified Public Accountants Michigan Association of Certified Public Accountants

July 19, 2004

Township Board Hebron Township Cheboygan County, Michigan

In planning and performing my audit of the general purpose financial statements of *Hebron Township*, *Cheboygan County*, *Michigan*, for the year ended March 31, 2004, I considered the Township's internal control structure to determine my auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

However, during my audit I became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes my comments and suggestions regarding those matters. This letter does not affect my report dated July 19, 2004 on the financial statements of *Hebron Township*.

Thank you for the opportunity to serve *Hebron Township*. I appreciate the assistance I received from both the Clerk and Treasurer during my audit. Best wishes in the next year.

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Hebron Township Comments & Suggestions July 19, 2004 Page 2 (two)

#### **SEGREGATION OF DUTIES**

Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgement, could adversely affect *Hebron Township's* ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

As in the prior year, the reportable condition that exists is that there is a lack of segregation of duties in both the receipting and disbursement function of the Township. This condition is generally inherent in organizations the size of *Hebron Township*, where corrective action is not practical, and is not considered to be a material weakness.

# **EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Public Act 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended March 31, 2004, the Township incurred expenditures in certain budgetary funds which exceeded the amount appropriated, as shown in the body of the financial statements.

I suggest that the Township Board on a periodic basis, review appropriations as compared to actual expenditures and amend the budget as necessary to avoid incurring expenditures in excess of appropriations.

# **UPCOMING FINANCIAL REPORTING CHANGES**

In 1999, the Governmental Accounting Standards Board (GASB) issued Statement 34, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments, the most significant change in the history of government financial reporting. These new requirements for the annual financial reports of state and local governments become effective for Hebron Township for the year ended March 31, 2005 (the first audit year will be March 31, 2006) and may take time to implement.

As the effective date will be next audit year (March 31, 2006), I would be pleased to explain these changes and what they mean for Hebron Township as well as assist in implementing this new standard.